

APPCC Realty News

Vol.1, Issue 4, April 2021

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Chennai continues to attract leading developers to come and invest in commercial projects

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Rental from unsold commercial properties is house-property income, rules ITAT

OVERVIEW

Defying the odds against second wave of Covid pandemic impacting normalcy, end users are active in the housing market to avail multiple benefits like multi-decade low of sub 7% interest rate, correction in prices and increased household savings, reports **V Nagarajan**

Residential Mart Sales Up in Q1, 2021

The residential market is gradually picking up across India, thanks to a plethora of opportunities across metros for homebuyers. Housing sales have improved and new project launched upped by 38 per cent year on year. Despite the second wave impacting the return of normalcy, property developers are unperturbed in that they are bullish about the long-term growth the housing sector.

According to Anarock first quarter survey, mid-segment housing saw the maximum new launches in the quarter with a 43% overall share, with the affordable housing segment accounting for 30%. The supply of luxury housing (priced >INR 1.5 crore) also rose by 31% in Q1 2021 against the corresponding period in 2020.

In Chennai, approximately 2,850 units were sold - an increase of 30% over Q1 2020. The city added approximately 4,620 units in Q1 2021, a Y-o-Y increase of 25% over Q1 2020, according to Anarock Q1 report.

According to Knight Frank India survey, Chennai housing sales witnessed 36% growth to 4,058 units. The rise in sales is attributed to multi-decade lows of sub 7% interest rate increase in household savings and correction in apartment prices.

Land prices have dipped in CBD and off CBD areas by 20 per cent and above and even then there are



hardly a few takers, according to leading realtors monitoring land transactions in the city.

Secondary market transactions are becoming limited due to supply crunch as hardly a few new projects have been launched across select micro markets in city areas. End users are prime mov-

ers with regard to resale residential units in the unit price range of Rs 45 lakh - Rs crore plus. All time low home loan lending rates, price stability and increasing construction material and labour costs have convinced to plunge into investment. Resale market is active particularly in areas like

Mogappair, Anna Nagar and Porur, says H Balasubramanian of APPCC.

A significant development is the spurt in sales of layouts in the area range of 600-800 sqft in the price region of Rs 15-20 lakh. Here again, it is said, that end users are active who wish to go for construction of villa etc.

On the commercial front, despite the increasing spread of COVID-19 due to the onset of the second wave, Chennai saw a sustained leasing activity during Q1 2021. The majority of the leasing was concentrated in the small- to -medium sized deals reported along OMR Zone I & II, Guindy and Mount Poonamallee Road. In addition, the occupiers were also interested in taking up space in flexible workplace options across the CBD and Off CBD locations.

The city did not witness any office supply completions during Q1 2021. The quoted rental values across the major micro-markets largely remained same as compared to the previous quarter, according to CBRE sources.

On the industrial and logistics front, electronics & hardware, pharmaceuticals & medical equipment, textiles, and auto industries will drive demand for manufacturing facilities. In logistics, E-commerce, third party logistics groups (3PLs) and cold storage operators will make up the bulk of demand, says a recent survey by Colliers International.

How to Spot Potential Investment Locations?

A good indicator of a particular area's vibrancy comes from the information flow, says **Sumanth Reddy**

The compulsions of the market are such that it is always advisable that one makes a full-fledged survey of the neighbouring areas before finalising a deal. Several factors have to be taken into account if one has to close the deal on mutually satisfactory terms.

A close observation of the turn of events of the past few years makes one to realise that there are certain practices that are almost mechanical by nature.

One of the biggest mistakes people

tend to commit in their quest to get the best bargain is to go with the crowd. If absence of having access to the flow of information is one problem, then a bigger one is the apparent ignorance of the prevailing trends.

In the given circumstances it will be a healthy option if one does the survey individually. Rather than go with popular choices which may have touched saturation point, it will be in the fitness of things if there is steak of being an early bird. This approach has its own advantages, at least they outscore the negative points that may perhaps be lurking somewhere in the corner.

People associated with the industry tend to make a complete survey of the roads that lead to the targeted zone. A realtor, builder, investor and even the end buyer will try to play it safe by taking random notes of the



developmental activities in and around the projected area.

This helps in saving a lot of later day troubles. For instance, getting to know about the likely developments from the government side will go a long way in bringing about a lively acceptance to a specific area.

A residential colony will be poised for a boom if there is a full-fledged connectivity, and aspects like road and infrastructure facilities like power and sanitation are in the pipeline.

It has been noticed that often big time retail outlets make a viable and fool-proof pre-launch survey.

Bolstered by the potential that exists, they actually set up their outlets. It is almost like they are emulating the street-smart kirana merchant who opens a shop even as ten houses come in a new locality.

A good indicator of a particular area's vibrancy comes from the information flow, which points out at the possible coming in of retailers and malls. An investment in such areas has immense potentialities and there is an over-riding win-win situation for all the parties concerned.

The generally perceived ignorance is actually not so much in the physi-

cal approach as it is in the mindset. By nature, a human being tends to opt for a locality that is going for an extension rather than go with an area that appears unexplored. A good indicator, which also substantiates this point of view, is the way cities and towns have spread into what were once deemed as outskirts.

Take a look at any town that has graduated to the status of a city or a city that is fast emerging as the metropolis and one will understand that opting for an emerging area is not a gamble. It is a sign of maturity and one which proves that early birds have the last laugh.

The most important aspect is to understand the ground-realities and the developmental activities that are coming its way.

Mr Sumanth Reddy is immediate Past President, NAR India.

Realty Data

MAJOR LEASE DEALS IN CHENNAI COMMERCIAL MARKET - 2020

Client	Building Name	Area in sqft	Location	Lease / Sale
BNY	Embassy block 3	6,25,000	Pallavaram	Lease
CTS	DLF Cybercity	4,72,000	Manapakkam	Lease
KLA Tencor	RMZ Millenia	50,300	Perungudi / OMR	Lease
NPCI	K Raheja Commer Zone	43,000	Porur	Lease
Omega Health Care	Chennai One	41000	Kandanchavadi	Lease
Ninestars Information	Habeeb Tower	24,142	Mount Road	Lease

MAJOR DEALS IN CHENNAI RETAIL MARKET – 2020

Property	Tenant	Location	Area in sqft	Lease / Sale
Independent	Citroen	Mount Road	4,000	Lease
Independent	Anna Nagar Cycles	Alwarpet	2,600	Lease
Independent	Duroflex	Adyar	2,400	Lease
Independent	Kirtilal Diamonds	Anna Nagar	1,700	Lease
Independent	Duroflex	Nungambakkam	1,500	Lease
Independent	Chai Galli	Velachery	1,500	ease

CHENNAI – INDUSTRIAL AND WAREHOUSING TRENDS

Submarkets	Land rates in Rs/ acre	Industrial Rents (Rs/sqft/month)	Warehousing Rents (Rs per sqft/month)
Redhills	2 crore – 3.5 crore	18 – 25	18 – 25
Sriperumbudur	1.5 crore – 3 crore	20 – 25	20 – 25
Oragadam	1.5 crore – 2.5 crore	23 – 28	23 – 28
Vallam	1.5 crore – 2.5 crore	24 – 28	24 – 28
Gummidipoondi	1 crore – 1.75 crore	16 – 19	16 – 19
Thiruvallur	80 lakh – 2 crore	14 – 20	14 – 20
Sricity	85 lakh – 90 lakh (Only leasehold land)	22 – 23	22 – 23

MAJOR DEALS IN CHENNAI'S INDUSTRIAL AND WAREHOUSING MARKET – 2020

Property	Location	Tenant	Area in sqft	Lease/ Sale
Indospace	Oragadam	Vikram Solar	1,85,000	Lease
Sakthi Industrial Park	Sriperumbudur	Wheels India	1,00,000	Lease
Independent	Puzhal	Sea Shelter	72,000	Lease
Independent	Sriperumbudur	Jonas Woodand & Sons (India) Ltd.	60,000	Lease
San Landmark, Oragadam	Oragadam	Aptiv	60,000	Lease
Independent	Sriperumbudur	VodafoneIdea	37,600	Lease
Independent	Sriperumbudur	RRB Energy	25,000	Lease
IndoSpace Oragadam	Oragadam	Saddles India Pvt Ltd.	24,000	Lease

Source: CIRIL



COMMERCIAL OFFICE SPACE RENTAL TRENDS IN CHENNAI

Location	Grade A+	Grade A	Grade B & Below
Alwarpet	90	70	40
Mount Road	90	70	55
Nungambakkam	75	65	45
Kilpauk	75	60	40
Anna Nagar	75	65	50
OMR Pre Toll	90	60	35
OMR Post Toll upto Shollinganallur	65	55	30
OMR Beyond Shollinganallur	60	45	30
Guindy	95	60	40
Ambattur	50	30	20
Porur - DLF Stretch	75	50	25

Source: APPCC

RESIDENTIAL PROPERTY RENTALS IN CITY AREAS

Location	Rental per month / per sq ft	Location	Rental per month / per sq ft
Alwarpet	60	KK Nagar	30
Basant Nagar	35	Ashok Nagar	30
Mylapore	35	Vadapalani	30
RA Puram	45	Porur	20
Boat Club road	75	Perungudi	25
Nungambakkam	45	Shollinganallur	20
Kilpauk	40	Chrompet	15
Anna Nagar	45	Tambaram	15
Velachery	30	Perambur	15
T Nagar	40	Purasawalkam	20



TRENDS

Industrial and Logistics Sectors – Outlook for 2021

Electronics & hardware, pharmaceuticals & medical equipment, textiles, and auto industries will drive demand for manufacturing facilities. In logistics, E-commerce, third party logistics groups (3PLs) and cold storage operators will make up the bulk of demand, says a survey by **Colliers International**.

Industrial leasing to become more robust COVID-19 influenced and the China/United States trade war exacerbated the challenges and uncertainty experienced by global manufacturing firms and logistics players in 2020 prompting many global corpo-

ramping up their production capabilities in India. Similarly, many textile, pharmaceutical and medical equipment manufacturers are preparing to expand their production capabilities in India. Leveraging its key position in India's pharmaceutical sector, Hyderabad has been able to attract further investments in biotech, generic-drug and medical devices manufacturing in the past few months. The Indian automobile industry is also optimistic as demand for personal vehicles, especially electric vehicles, is seeing a return to pre-COVID-19 levels.

With a just-in-time (JIT) production model and linear supply chains caus-

tures with local developers to set up and buy industrial parks and fulfilment centres in Tier I and II locations. We expect demand for core assets located in strategic locations like the Chakan-Talegaon cluster in Pune, Nelamangala – Doddaballapur in Bengaluru, and in clusters along NH 16 in Chennai, NH 48 in Gurugram, and NH 19 in Kolkata that enjoy easy connectivity to ports, national highways and airports to remain strong.

Logistics to gain even more traction Warehousing deal activity continued to grow in 2020 supported by strong demand from e-commerce players, consumer electronics, pharmaceutical sector and 3PL providers.

We are seeing healthy growth from 3PLs and local transportation businesses serving the population base in Tier II and Tier III cities.

Development activity continued to expand in Tier I and II cities with several large developers and institutional players announcing new projects and acquiring land to develop logistics parks. Heading into 2021, we expect the following key trends to shape the logistics market:

- Demand for advanced warehouses that cater to regulatory compliance, security and quality checks will gain traction as shoppers continue to embrace grocery e-commerce.

- Many occupiers are looking for short-term leases and on-demand warehousing. This should augment demand for co-warehousing/flexible warehousing space, resulting in increased utilization in existing warehouses. Landlords can take this opportunity to sublease unutilized space.

- To ensure cost optimization and increase competitiveness in the industry, warehouse operators are increasingly adopting IT-driven solutions including Internet of Things (IoT) and Warehouse Management Systems (WMS) to track inventory and adopt an analytical approach to forecasting demand to avoid depletion of stock.

- As efficient in-city distribution increases, demand for modern Grade A warehousing continues to grow in urban cores. Landlords should redevelop or upgrade their existing facilities, incorporating multi-level racking and sustainable solutions.

- As competition in e-commerce increases, sellers want logistics service providers to deploy predictive analytics to create visibility in seasonal demand-supply fluctuations and solve the reverse logistics problem while improving inventory management.



rations to diversify their production base across countries. Indian government initiatives like Make in India, Atmanirbhar Bharat (Self-reliant India), production linked incentive (PLI) scheme, 100% FDI allowance for manufacturing firms and corporate tax reforms have attracted many electronics and hardware manufacturing firms to set up a base in India. Home-grown device makers like Dixon Technologies and global contract manufacturers such as Foxconn and Pegatron are in the process of

ing significant disruption to the supply chain, firms are switching to multisourcing and overhauling their existing warehouses and order management systems. This should increase demand for resilient supply chains offering more visibility and automation across the entire supply chain.

Bolstered by increased demand from e-commerce players and third-party logistics (3PL) providers, several institutional players such as Blackstone, Logos, GIC, and CapitaLand have formed joint ven-

SNAPSHOTS

NAR India Convention Held in New Delhi recently



APPCC office bearers with President, NAR India, Mr. Tarun Bhatia, Immediate Past and Mr. Sumanth Reddy, President.



The Hybrid NAR-INDIA 12th Annual Convention held in New Delhi recently saw realisation as realtors and those associated with the real estate industry came together again to celebrate the role of realtors. Around 400 people personally attended the occasion while 2,200 people made their virtual presence from all over the country. The World realtors day was also celebrated on March 21.

The inaugural ceremony was graced virtually by Shri Hardeep Singh Puri, Minister of State (Independent Charge) Ministry of Housing and

Urban Affairs, Dr. Niranjan Hiranandani, President NAREDCO and Shri Parveen Jain, Vice Chairman NAREDCO.

Extensive discussions were held through the various panel discussions involving virtual participation from international participants as well, speaker sessions, and very diverse and exciting breakaway sessions.

The Hybrid NAR-INDIA 12th Annual Convention has created a new benchmark of how the future will connect and collaborate and organise such large conventions.

IBC prevails over SARFAESI

The Tribunal recently gave out its judgment, in favour of RCM. It said that Section 238 of the IBC, says: "The provisions of this Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force." The Tribunal cited its own judgment in an earlier case of Encore Asset Reconstruction Company Vs Charu Sandeep Desai, where it had said that Section 238 shall prevail over any provisions of the SARFAESI, if there was any inconsistency between IBC and SARFAESI.



APPCC 4th Annual Day celebrations held in Yelagiri

The fourth APPCC annual day celebrations were held in Yelagiri along with quarterly meeting. APPCC members were able to enjoy the tranquillity and conducive environment to break away from the din and bustle of metro life.

TAXATION



Rental from unsold commercial properties is house-property income, rules ITAT

In the case of Discovery Estates Pvt. Ltd. Vs ACIT (ITAT Delhi), the issue in dispute is regarding the head under which rental income is to be taxed. The assessee is earning rental income from commercial malls and offered the same under the head 'Profit and Gains of Business or Profession'. The rental income has been generated from commercial units which remained unsold and were held as stock in trade in desire of acceptable sale price. The Assessing Officer has taxed the said rental/lease income under the head "income from house property".

The Hon'ble Delhi High Court in its judgment dated 18.02.2013, reported in 356 ITR 159, in ITA No. 1089/2011 and ITA No. 1090/2011, has directed to treat the rental income earned by the assessee from commercial properties as income under the head 'House Property' instead of Income from business or profession. As the learned CIT (A) has followed the binding precedent in the case of the assessee itself, we do not find any error in the order of the learned CIT (A) on the issue in dispute and accordingly uphold the same. The grounds of the appeals are dismissed.

FULL TEXT OF THE ITAT JUDGEMENT

This appeal is directed against the order dated 31st August, 2017 passed by the learned Commissioner of Income-tax (Appeals)-43, New Delhi [in short "the learned CIT(A)"] for



assessment year 20 13-14 raising the following grounds:

Ground No. 1: The Ld. Commissioner of Income Tax (Appeals)-32, New Delhi [hereinafter referred to as 'CIT(A)'] has erred on facts and in law in passing the order dated 31.08.2017 under section 250 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act')

Ground no. 2: The Ld. CIT(A) erred on facts and in law in holding that the Assessing Officer is correct in treating the rental income earned of by the appellant from commercial properties as income under the head 'House Property' instead of Income from Business Income.

Ground No. 3: The appellant prays that he may be allowed to add, amend, alter or forego any of the above grounds of appeal as the circumstances may warrant.

Ground 4: The above grounds are without prejudice to each other. 2. The facts in brief of the case are that the assessee was engaged in the business of construction of the commercial complex and also earning rental income. The return of income was filed by the assessee for the year under consideration on 13.09.2014, declaring income of Rs.2,67,02,200. The case was selected for scrutiny and assessment under Section 143(3) of the Income-tax Act, 1961 (in short 'the Act')

was completed after treating the rental income under the head 'Income from House Property' instead of income under the head "Profit and Gains of Business or Profession" offered by the assessee in the return of income.

2.1 In further appeal, the learned CIT (A) following the finding of the Hon'ble Delhi High Court in the case of assessee itself passed in earlier years, upheld the finding of the Assessing Officer. Aggrieved, the assessee is in appeal before the Tribunal raising the grounds as reproduced above.

3. Before us, none represented on behalf of the assessee despite informing the date of the hearing in the open court on 16.03.2021. No adjournment application was also filed, in view of the fact, the case was heard ex-parte qua the assessee after hearing the learned DR.

4. We have heard the learned DR and perused the relevant material on record. In the case, the issue in dispute is regarding the head under which rental income is to be taxed. The assessee is earning rental income from commercial malls and offered the same under the head 'Profit and Gains of Business or Profession'. The rental income has been generated from commercial units which remained unsold and were held as stock in trade in desire of acceptable sale price. The Assessing Officer has taxed the said rental/lease income under the head "income from house property".

4.1 Identical issue was raised by the Assessing Officer in Assessment years 2006-07 and 2007-08. The issue further travelled up to the

Hon'ble Delhi High Court. The Hon'ble Delhi High Court in its judgment dated 18.02.2013, reported in 356 ITR 159, in ITA No. 1089/2011 and ITA No. 1090/2011, has directed to treat the rental income earned by the assessee from commercial properties as income under the head 'House Property' instead of Income from business or profession. The learned CIT (A) has extracted the decision of the Hon'ble Delhi High Court in the impugned order in paras 4.5.6, which is reproduced as under:

"2. The appeals are by the Revenue. ITA Nos. 1089/2011 and 1090/2011 relate to the same assessee i.e. Discovery Estates Pvt. Ltd. and ITA NO.1097/2011 relates to another company of the same group by name Discovery Holdings Pvt. Ltd. On 13.02.2012, the following substantial questions of law were framed by this Court in all the three appeals:

" (i) Whether the Income Tax Appellate Tribunal was right in holding that the rental income should be assessed under the head "income from business" and not under the head "income from house property"?"

(ii) Whether the Income Tax Appellate Tribunal was right in holding that the sale consideration disclosed by the assessee on sale of shops should be accepted?"

(iii) Whether the findings recorded by the Income Tax Appellate Tribunal in respect of the question number (ii) are perverse?" 3. It is common ground that the first substantial question of law is to be answered in the negative, in favour of the Revenue and against the assessee in view of the judgment of this Court in CIT Vs. M/s Ansal Housing Finance and Leasing Co. Ltd. & Ors. decided on 31.10.02012 in ITA 18/1999."

4.2 As the learned CIT (A) has followed the binding precedent in the case of the assessee itself, we do not find any error in the order of the learned CIT (A) on the issue in dispute and accordingly uphold the same. The grounds of the appeals are dismissed.

5. In result, the appeal of the assessee is dismissed.

Source: www.taxguru.in

Published by the Association of Professional Property Consultants of Chennai. All communications should be addressed to APPCC through email id: appccchennai@gmail.com. Editor: V Nagarajan



Through materials, texture and colours, we can change the energy of any space to one that exuberates vibrancy and inspiration, says S BS Surendran

Home interiors which conform to the precepts of good Feng Shui in terms of shape, colour and positioning generally feel much nicer than those which do not. Feng Shui has been used in the home to improve such things as wealth and careers, find new partners, start families, help children to study, improve family harmony and later in life to support and improve our health so that we can enjoy the wealth which we have accumulated over the years. In short, Feng Shui at home can be used to influence just about every aspect of our lives. By relating to the spiritual dimension Feng Shui becomes more relevant to our modern day life. With our demanding, high-pressure lifestyles today, we need ways with which we can enhance and bring in some much needed balance to our lives. Spiritual practices are nothing but good deeds that are essential for the practice of good Feng Shui. Each aspect of it can be used as a subtle tool that shapes and enhances your life and

REVITALISING SPACE



well-being. Each day you practice it, it helps you to become a good human being and contributes towards making the world a better place to live. A Feng Shui house is a house where all the objects are in perfect harmony to each other whether we talk about the Feng Shui elements contained in them or the particular colors that have been used to enhance the space and in turn create the serene feel of spirituality. The Feng Shui is about balancing energies, of animate with inanimate and that of the soul with that of the uni-

verse, so that you get the positive energies of the universe flowing through the entire spaces in your house. A home or business has interior factors and exterior factors that influence you and your mood. Shape of the house, floor plan, positions of bedrooms, kitchens, bathrooms, desks, have an unseen psychological effect on you. History of the house, electro-magnetic energies emitted by electrical connections and cable, telephone, satellite dishes can have either positive or negative effects on you depending upon the sort of person you are. Similarly beams, lights, plants, water and influences of people surrounding you also have some role to play.

- Living areas require a bit of life and light, so keep within the colour spectrum of yellow or beige tones. Yellows and light browns offer a sense of earth tones, which usually match most furni-

ture styles.

- Lights brings a vital source of energy and is the key element to setting the mood of any space. Depending on what you are trying to achieve, lights can help highlight or tone down certain areas of the room. Fluorescent lighting helps flood the room with an ambient feel.
- Avoid barriers in front of the door such as light partitions where you have to navigate around them to move to the next space. By 'opening up' the space, this technique immediately expands your front door sector many times over. It does not take much to revitalise the energy of your home with good Feng shui with a little bit of inspiration and a touch of sensitivity. Through materials, texture and colours, we can change the energy of any space to one that exuberates vibrancy and inspiration.

Mr Surendran is an accredited master Feng Shui consultant and traditional Vaastu.